



FedFin Daily Briefing

Thursday, April 8, 2022

CFPB Tackles Core-Service Providers

Late yesterday, CFPB director Chopra [told](#) community banks and credit unions that he wants to be sure that entities that he described as focused on relationship banking are included in CFPB decision-making, in contrast to the large banks that had previously influenced its actions. Going forward, the agency has prioritized promoting ways to ensure that technology promotes relationship banking rather than crowding it out, with the director noting that the Bureau has determined that core-services providers are highly concentrated. The Bureau is thus looking for ways to enhance bank bargaining power. Likely referring to pending action from the banking agencies on third-party vendors ([see FSM Report VENDOR9](#)), Mr. Chopra also said that the Bureau is coordinating with other agencies to enhance small-bank "bargaining" power. He also mentioned discussions on this point with law enforcement related to core-provider activities, not making clear what may be in store on this important front.

Hsu Supports Special-Purpose Stablecoin Charter

Picking up on both Secretary Yellen's [comments](#) yesterday and the PWG's stablecoin report ([see Client Report CRYPTO21](#)), Acting Comptroller Hsu [today](#) went farther to conclude that cryptocurrency in general poses systemic risk that warrants immediate attention to stablecoin regulation. Mr. Hsu reaches this conclusion not by the usual run-risk analysis, but rather by noting how many vulnerable consumers now use cryptocurrency and how important the "bottom of the pyramid" has proven to be to financial stability. Immediate action is warranted due to this risk even though the Acting Comptroller does not view the rise of WEB3 or DLT as inevitable because he does not expect them to be able to offer the fully fungible and interoperable currency essential to daily economic life. Mr. Hsu concludes by reinforcing the PWG's recommendation that stablecoin issuance must be housed in a regulated bank, although he also expresses interest in a special-purpose charter along the lines previewed earlier this week in [draft legislation](#) released by Ranking Member Toomey (R-PA).

FSOC Worries About Commodity-Market Risk

The FSOC readout from its closed [meeting](#) today was as inscrutable as usual. However, we infer that the Council convened principally to assess commodity-market volatility in the wake of the Ukraine invasion. The readout of course gives no insight into what was presented or concluded, but it does state that the FRB and CFTC assessed asset valuations, bank and nonbank leverage, and funding risk – all growing concerns that will also be the subject of a forthcoming Petrou op-ed in the *Financial Times*. Treasury staff also updated the Council on Treasury's report pursuant to the President's crypto order ([see Client Report CRYPTO26](#)) on money and payments. This report is due to the White House by October 5th.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [GSE-040722](#): FHFA has finalized new [capital rules](#) for the GSEs designed to accelerate the credit-risk transfer the agency now deems essential for a fast-acting conservatorship exit.
- [SANCTION18](#): As [anticipated](#), today's HFSC hearing with Secretary Yellen largely focused on ways to

sanction the Russian Federation and its allies and associates.

- **DEFI:** As [promised](#), this report provides an in-depth analysis of IOSCO's new [paper](#) on decentralized finance, one sure to advance the [FSB's](#) efforts to bring DeFi systems under greater regulatory scrutiny due to the findings we here detail.
- **GSE-032222:** As detailed in our new in-depth [analysis](#), the CFPB's [exam-manual rewrite](#) dramatically redefines the compliance-, legal-, and reputational-risk terrain for any consumer-financial company and the vendors or counterparties on which it relies.
- **CONSUMER39:** Reflecting one of its new director's top priorities as well as that of the Biden Administration, the Bureau of Consumer Financial Protection has significantly revised its examination manual when it comes to behavior that might be viewed as discriminatory in a wide range of consumer-financial products, services, underwriting, advertising, marketing, governance, and other arenas.
- **SANCTION17:** The Senate Banking Committee's hearing today on illicit finance focused as expected on cryptocurrency and suggests that targeted legislation addressing specific jurisdiction or compliance issues might advance on a bipartisan basis.
- **GSE-031522:** Although we have done extensive analysis of a U.S. central-bank digital currency (CBDC) in our sister analytical service, we have not viewed as it as an imminent strategic consideration for housing-finance agencies and financial institutions.
- **CRYPTO26:** We follow our initial client alert here with an in-depth analysis of President Biden's long-awaited [executive order](#) laying down steps intended quickly to construct a U.S. digital-asset policy construct.
- **GSE-030722:** A new Urban Institute study suggests that banks are more likely to discriminate when it comes to minority borrowers, heightening concerns at a time with increased political risk related to racial equity and mortgage finance.
- **GSE-030122:** As we [noted](#), FHFA has finalized revisions to its [2020 capital rule](#) that most importantly lighten the GSEs' capital load and reinvigorate credit risk transfer.